

Message Text

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11

ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 AGR-05 DODE-00 PA-01 PRS-01 FEA-01 /086 W

----- 121187

R 121600Z MAR 76

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 4494

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE BRASILIA 2192

E.O. 11652: N/A

TAGS: ETRD, EFIN, BR

SUBJECT: TRADE DATA FOR JANUARY

1. EMBASSY HAS BEEN GIVEN, ON AN FYI BASIS, DETAILED
BREAKDOWN OF IMPORTS AND EXPORTS FOR JANUARY.
THE FINAL FIGURES INDICATE THAT THE DEFICIT IN
JANUARY CAME TO \$489 MILLION, WITH EXPORTS AMOUNTING
TO \$505 MILLION AND IMPORTS \$994 MILLION.

2. THE BREAKDOWN OF THE MAJOR CATEGORIES OF IMPORTS
AND EXPORTS IN JUANUARY 1976 ARE COMPARED BELOW WITH
JANUARY 1975:

(US\$ MILLIONS)

JANUARY	JANUARY
1975	1976
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IMPORTS

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CONSUMER GOODS	36	58
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RAW MATERIALS	287	317
CAPITAL GOODS	233	374
CRUDE PETROLEUM	239	230
PETROLEUM DERIVATIVES	20	15
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TOTAL	815	994

EXPORTS

BASIC PRODUCTS OF WHICH	503	287
SUGAR	(227)	(24)
SOYBEANS AND PRODUCTS	(35)	(61)
COFFEE(BEANS)	(88)	(73)
IRON ORE	(57)	(61)

SEMI-MANUFACTURED PRODUCTS	50	42
MANUFACTURED PRDOCTS	204	176

TOTALS	-----	-----
	757	505

3. VOLUME AND PRICE MOVEMENTS IN JANUARY 1976 OVER
JANUARY 1975 WERE AS FOLLOWS:

TOTAL CHANGE	DUE TO PRICE	DUE TO VOLUME
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(PERCENTAGE CHANGE)

IMPORTS

CONSUMER GOODS	61.1	-36.5	154.0
RAW MATERIALS	10.5	-8.2	20.5
CAPITAL GOODS	60.5	13.8	41.1
CRUDE PETROLEUM	-3.8	3.6	-7.2
PETROLEUM DERIVATIVES	25.0	42.4	-69.1
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TOTAL	22.0	2.1	19.7

EXPORTS

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BASIC PRODUCTS OF WHICH	-42.9	-25.1	-23.8
SUGAR (REFINED)	87.8	-72.9	-55.2
SOYBEANS	766.7	-41.1	1,372.0
SOY PRODUCTS	40.6	-22.8	72.2
COFFEE (BEANS)	-17.0	10.4	-24.9
IRON ORE	7.0	29.4	-17.3

SEMI-MANUFACTURED PRODUCTS	-16.0	-33.7	26.7
MANUFACTURED PRODUCTS	-13.7	-14.7	1.1
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TOTALS	-33.3	-23.0	-13.4
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4. COMMENT: THE JANUARY TRADE FIGURES WERE NOT VERY ENCOURAGING. ON THE IMPORT SIDE, THE TOTAL OF \$994 MILLION SHOWED VIRTUALLY NO IMPROVEMENT FROM THE MONTHLY AVERAGE OF LAST YEAR, DESPITE THE IMPOSITION OF A PRIOR DEPOSIT (OF 180 DAYS IN JULY 1975 AND INCREASED TO 360 DAYS ON DECEMBER 2, 1975), INCREASED TARIFFS, AND A DECREED REDUCTION OF 25 PERCENT IN IMPORTS BY THE PUBLIC SECTOR. TWO REASONS MAY HELP EXPLAIN THIS PHENOMENON: (A) THE EXPANSIONARY MONETARY POLICY OF THE LAST HALF OF 1975 WORKED TO NEGATE SOME OF THE IMPORT RESTRICTING MEASURES, PARTICULARLY THE PRIOR DEPOSIT (IN THE SECOND HALF THE MONEY SUPPLY JUMPED BY ABOUT 33 PERCENT, AS AGAINST 10 PERCENT IN THE FIRST HALF). WHILE THIS EASING OF LIQUIDITY REPRESENTED A POLICY DECISION DESIGNED TO PREVENT AN UNDESIRABLE DROP IN ECONOMIC ACTIVITY, IT WAS DEFINITELY IN CONFLICT WITH THE OBJECTIVE OF REDUCING THE TRADE DEFICIT. HAVING RECOGNIZED THE IMPOSSIBILITY OF PURSUING WHAT ARE ESSENTIALLY TWO UNRECONCILABLE TARGETS, THE MONETARY AUTHORITIES ARE NOW PUTTING THE SQUEEZE ON MONETARY POLICY; THIS SHOULD BE REFLECTED ON BOTH IMPORTS AND ON ECONOMIC ACTIVITY DURING THE NEXT SEVERAL MONTHS. (B) WHILE THIS IS DIFFICULT TO QUANTIFY, THE PESSIMISTIC PSYCHOLOGICAL CLIMATE CREATED BY THE BALANCE OF PAYMENTS DIFFICULTIES HAS NO DOUBT LED TO SOME SPECULATIVE IMPORTING; THIS APPEARS TO BE LIMITED OFFICIAL USE

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REFLECTED PARTICULARLY IN IMPORTS OF CONSUMER GOODS WHICH REGISTERED A 154 PERCENT INCREASE IN VOLUME IN JANUARY.

5. ON THE EXPORT SIDE, THE PERFORMANCE WAS ALSO A DISAPPOINTMENT, ALTHOUGH THE AUTHORITIES HAVE TRIED TO ATTRIBUTE THE UNFAVORABLE RESULTS TO FACTORS OF A TEMPORARY NATURE. AS THE BREAKDOWN FOR JANUARY INDICATES, ONE OF THESE SPECIAL FACTORS WAS THE DROP IN BASIC PRODUCTS EARNINGS WHICH RESULTED FROM THE POOR PERFORMANCE OF SUGAR EXPORTS. THE AUTHORITIES EXPECT THIS SITUATION TO REVERSE ITSELF BY MID-YEAR, AS THE NEW HARVEST REPLENISHES DEPLETED STOCKS. ANOTHER SPECIAL FACTOR WAS COFFEE, WHICH DID NOT DO AS WELL AS EXPECTED AND WHICH WILL PRESUMABLY DO BETTER FROM NOW ON IN

LINE WITH GENERAL EXPECTATIONS. THE REALLY DIS-
QUIETING FEATURE OF THE JANUARY RESULTS WAS THE DROP
IN SEMI-MANUFACTURED AND MANUFACTURED EXPORTS. SINCE
BASIC PRODUCTS IN GENERAL ARE NOT EXPECTED TO SHOW
MUCH, IF ANY, INCREASE OVER 1975, HOPES OF EXPORT
EXPANSION IN 1976 HAVE BEEN PINNED ON SEMI-MANUFACTURED
AND MANUFACTURED PRODUCTS. UNLESS THESE TWO ITEMS
SOON RESUME AN UPWARD TREND, THE OUTLOOK FOR ANY
INCREASE IN EXPORTS DURING 1976 WILL BECOME
INCREASINGLY DIM.
CRIMMINS

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